

It would be quite easy to give up. But I'm damne...

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I admit that I have found the last week difficult, and I have no doubt that this has been reflected in the blogs that I have written. I'm usually optimistic, and it has been very hard to feel optimistic of late. That remains the case today.

There is news of councils warning that they face bankruptcy. What we now know is that society is utterly dependent upon the social care that they provide, and yet the funding that they need is, so far, not forthcoming.

I have already suggested that hundreds of thousands of businesses may fail and that millions of their employees may face unemployment.

And now there is speculation that other sectors will also be decimated. Some theatres have already gone bankrupt, and many more are likely to do so. Orchestras are under threat. The whole model of live music performance is at risk, whatever type of music that we are talking about, and that is how most performers must make their living.

I could go on, but I won't. This appears like a litany of woe. Of course, it is. But what I find depressing is that this is also deeply unnecessary.

Nothing has changed the ability of this country, or many other countries come to that, to work, excepting the current need for social distancing. I am not suggesting for a moment that social distancing is not significant: it very clearly is, particularly since we have not, at least in the UK done nearly enough to beat coronavirus. But, although it is clear that our labour productivity is impacted as a result, most of our ability to deliver what is required in society is unimpaired if sufficient imagination is used, and (critically) sufficient funds are provided to enable the process of transition to take place.

I'm not going to talk about the processes of transition: those are for others to design. What I do know is that when we face the risk of massive unemployment with an associated overall risk of falling prices because of rapidly declining demand, then the last problem that we face is a shortage of cash.

Of course, if it is claimed that only the private sector 'makes money' then we do have a

problem. That problem will not only be that the private sector will be operating at way below its normal capacity, but that the way in which it is usually claimed that the private sector 'makes money' is by generating profit, and there is going to be very little of that around right now. This claim, which is always untrue because the claim refers to profit and not money, and the two are only loosely related, is going to be even more untrue than ever now.

Nor, as a matter of fact, are banks going to be inclined to make many loans to those whose incomes are now at risk, meaning this normal sort of injection of cash into the economy is going to be severely diminished. And, when surveys show that business is massively constraining its investment plans, which are the other major cause of borrowing and so cash injection into the economy through the private sector, that avenue to money creation is also disappearing.

We are, then, only left with the government as the source of the cash that we need to deliver the transition that our society will require. There is, literally no point in pretending otherwise. The hope of anything else is utterly forlorn. But, despite this, as has been seen in recent days on this blog, there will be those who will claim that for the government to create money in this situation is simply to guarantee inflation, and to ruin our economic prospects.

Such claims are, of course, entirely wrong. As a matter of fact the government does create money, although such people claim otherwise. The Bank of England is quite clear that quantitative easing is a process of money creation. They are also quite clear that all money created in the private sector does come from bank loans, and nothing else. And they are just as clear that loan repayment cancels money. As a consequence, although they have not stated it as boldly, it follows that government spending does, necessarily, create money, and tax does consequently destroy it. And with regard to inflation, whilst this is always possible as a consequence of events outside the monetary system (for example, Brexit) within that system it is readily apparent that the drivers of inflation can only exist when there is excess money in proportion to the available supply of goods or services, and we are very clearly facing the exact opposite situation at present, providing enormous capacity for money creation at present.

What is depressing in that case is that it is very clear that there is a solution to our liquidity crisis if the government is willing and able to understand these simple facts. All the money that is required for the transition that we must make to a different economy from that we had in February 2020 can be available now if only the government is willing to create it.

I stress, this will not stop some businesses failing. That, unfortunately, is inevitable. Those businesses were designed for a different era, and will not make it into a new one where priorities, needs and wants will be different. This we have to accept.

But, at the same time the capital for the new businesses that will be required to meet

the new needs in society could be provided. And the necessary training that is required could be provided. As could all the other support services that are necessary be put in place. Instead of treating this as a disaster, which I fear will be likely, this could be seen as an opportunity.

Simultaneously, the necessary reappraisal of the relationship between the state and private sector, redetermining who most appropriately does what, and with what priority within society as a whole, which is a necessary precondition of building a new, stable and sustainable society for all to live in could take place if we had a government with sufficient vision to understand that the resources to make this possible are entirely within its grasp, and should be created. That need could also be readily explained. The money to be created is, in effect, the capital on which this new society could be built.

What has been depressing is realising all this and appreciating that at present we have a government that is nowhere near doing any of these things as it ever more obviously flounders in the face of its debt paranoia which will, almost certainly, deliver a new austerity of a type unseen since the 1930s.

I have had to tell myself that it is quite reasonable to feel anger, frustration and outright despair that for the want of money that is readily, and instantly, available to make these things possible we will have to suffer so that the ideological delusions of right-wing economists and their political followers can be maintained. It is pretty tough to realise that this is what we are facing. It would be quite easy to give up. But I'm damned if I'm going to.